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8 UNITED STATES DISTRICT COURT  
9 FOR THE EASTERN DISTRICT OF CALIFORNIA  
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11 C.A.L. PRODUCE SALES  
12 CORPORATION,

13 Plaintiff,

14 v.

15 CFG PRODUCE, INC., et al.,

16 Defendants.

Case No. 1:24-cv-00315-BAM

ORDER STAYING ACTION PENDING  
RESOLUTION OF BANKRUPTCY  
PROCEEDINGS

17 **BACKGROUND**

18 This is an action to enforce rights under the Perishable Agricultural Commodities Act of  
19 1930 (“PACA”) following entry of a Reparations Order commenced on March 14, 2024. (Doc.  
20 2.) The operative complaint alleges that Plaintiff C.A.L. Produce Sales Corporation and  
21 Defendant CFG Produce Inc. were each engaged in the business of buying and selling wholesale  
22 quantities of perishable agricultural commodities in interstate commerce. (Doc. 2, Compl. ¶¶ 1,  
23 2.) Defendant Shawn Jackson is alleged to be an officer, director, shareholder, and USDA  
24 Principal of Defendant CFG, and was in a position to control Defendant CFG. (*Id.* ¶ 3.)

25 Between December 9, 2022 to January 19, 2023, Plaintiff sold produce to Defendant  
26 CFG in a series of transactions and shipped the produce as directed by Defendant CFG in  
27 exchange for a total sum of \$157,049.50. (Compl. ¶¶ 1, 7-22.) Defendant CFG failed to pay for  
28 the produce. (*Id.* ¶ 25.)

1 Plaintiff filed a formal complaint against Defendant CFG with the United States  
2 Secretary of Agriculture on April 10, 2023. (Compl. ¶ 26.) By Order of the Secretary of  
3 Agriculture issued on October 31, 2023, Plaintiff received – and Defendant CFG suffered – a  
4 reparations award in the sum of \$157,049.50, with interest thereon at the rate of 5.41 percent per  
5 annum from March 1, 2023, until paid, and filing fees in the amount of \$500.00 (“Reparations  
6 Award”). (*Id.* ¶ 27.)

7 Plaintiff alleges it is an unpaid supplier and seller of produce, and is entitled to PACA  
8 Trust protection and payment from Defendant CFG’s PACA Trust Assets. (Compl. ¶ 28.)  
9 Plaintiff further alleges that it is entitled to enforce the Reparations Award by monetary award  
10 by order and judgment of this Court declaring, inter alia, that Plaintiff is a PACA Trust  
11 beneficiary of Defendant CFG with a valid PACA Trust claim in the amount of \$157,049.50,  
12 with interest thereon at the rate of 5.41 percent per annum from March 1, 2023, until paid, plus  
13 the amount of \$500.00. (*Id.* ¶ 29.)

14 Plaintiff forwards the following causes of action: (1) enforcing reparations  
15 award/validating PACA Trust claim, 7 U.S.C. § 499e(c)(3) and (4); (2) enforcement of payment  
16 from PACA Trust Assets, 7 U.S.C. § 499e(c)(5); (3) violation of PACA: failure to maintain  
17 PACA Trust Assets/Creation of Common Fund, 7 U.S.C. § 499b(4); (4) violation of PACA:  
18 failure to timely pay/breach of contract, 7 U.S.C. § 499b(4); (5) personal liability of USDA  
19 Principal/breach of fiduciary duties to PACA Trust beneficiaries; and (6) fraudulent  
20 concealment. (Doc. 2.)

21 On June 5, 2024, at Plaintiff’s request, the Clerk of the Court entered default in this  
22 action against Defendants CFG and Shawn Jackson. (Docs. 10, 11.)

23 On August 5, 2024, Plaintiff filed a motion for default judgment against Defendant CFG.  
24 (Doc. 76.) By that motion, Plaintiff requested that the Court enter default judgment against  
25 Defendant CFG for damages in the amount of \$23,600.00 (\$3,000 for statutory damages  
26 pursuant to 47 U.S.C. § 605(e)(3)(C)(i)(II); \$20,000 for enhanced damages pursuant to 47  
27 U.S.C. § 605(e)(3)(C)(ii); and \$600 for conversion). (Doc. 76-1).

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1 With respect to the remaining defendant, Shawn Jackson, Plaintiff stated:

2 Under 11 U.S.C. § 523(a)(4) the bankruptcy court does not discharge an  
3 individual debtor from any debt for fraud or defalcation while acting in a  
4 fiduciary capacity, embezzlement, or larceny. Defendant JACKSON, as a  
5 managing agent of CFG and a fiduciary, is personally liable to the extent  
6 Defendant CFG's PACA Trust Assets are insufficient to pay Plaintiff. *Sunkist  
Growers v. Fisher* (9th Cir. 997) 104 F.3d 280, 283. Defendant JACKSON filed  
for bankruptcy on June 13, 2024. Claims against Defendant JACKSON will be  
pursued in the bankruptcy courts.

7 (Doc.13-1 at 4-5.)

8 Following a preliminary review of the motion for default judgment, and based on  
9 Plaintiff's statement regarding Defendant Jackson, the Court requested additional information  
10 regarding Defendant Jackson's bankruptcy filing and the impact that it may have on the motion  
11 for default judgment. In particular, the Court directed Plaintiff to submit supplemental briefing  
12 as to why the action against Defendant Jackson should not be stayed pursuant to 11 U.S.C. §  
13 362(a). The Court additionally expressed its concern that if it were to grant the pending motion  
14 for default judgment, then it may have an impact on Defendant Jackson's alleged liability and the  
15 bankruptcy proceeding. Accordingly, the Court also directed Plaintiff to submit supplemental  
16 briefing as to why the entire action should not be stayed until the bankruptcy proceeding in the  
17 related case is resolved pursuant to the Court's inherent power under *Landis v. North American*  
18 *Co.*, 299 U.S. 248, 254-55 (1936). (Doc. 16.)

19 On March 27, 2025, Plaintiff filed a supplemental brief in response to the Court's order.  
20 (Doc. 17.) Plaintiff reiterates that Defendant Jackson filed a voluntary petition for bankruptcy.  
21 (*Id.* at 2.) The Chapter 7 bankruptcy proceeding appears to have been filed in the United States  
22 Bankruptcy Court for the Northern District of Texas, Dallas Division, Case no. 24-31735-se7.  
23 (*See* Ex. A to Doc. 17-1.) Plaintiff further reports that it filed an Adversary Proceeding in the  
24 Bankruptcy Court, Adversary No. 24-03074-swe, to exempt a discharge of monies owed to it by  
25 Defendant Jackson, the bankruptcy action has proceeded, and the parties are presently  
26 proceeding to trial by brief in the bankruptcy action. (Doc. 17 at p.2; Ex. A to Doc. 17-1.) After  
27 weighing the relevant *Landis* factors, Plaintiff does not oppose a short stay of the entire action  
28 until the bankruptcy proceeding is resolved. (Doc. 17 at 4.)

## DISCUSSION

### A. Automatic Stay

Pursuant to Section 362 of the Bankruptcy Code, all actions against a defendant who has filed a bankruptcy petition are automatically stayed once the petition is filed. 11 U.S.C. § 362(a) (staying “the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title”). According to Plaintiff’s motion for default judgment and supplemental brief, Defendant Jackson filed a voluntary petition for bankruptcy on June 13, 2024, which is currently pending (*See* Doc. 17 at 2; Ex. A. to Doc. 17-1.) Although Plaintiff does not address the issue, the proceedings against Defendant Jackson in this action are stayed under 11 U.S.C. § 362.

### B. *Landis* Stay

District courts have the inherent power to stay a lawsuit. *Landis*, 299 U.S. at 254-55. If an independent and related case is pending, in certain circumstances federal courts may stay the instant suit while the independent proceeding moves forward. *Dependable Highway Exp., Inc. v. Navigators Ins. Co.*, 498 F.3d 1059, 1066 (9th Cir. 2007); *Levy v. Certified Grocers of California, Ltd.*, 593 F.2d 857, 863 (9th Cir. 1979).

To determine whether a *Landis* stay is appropriate, courts weigh the following competing interests: (1) whether there is a fair possibility that a stay will cause damage; (2) whether a party may suffer hardship or inequity if a stay is not imposed; and (3) whether a stay will contribute to the orderly course of justice. *CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir. 1962).

Additionally, a *Landis* stay (4) cannot be imposed only for judicial economy and (5) cannot be indefinite and result in undue delay. *Dependable Highway Exp., Inc.*, 498 F.3d at 1066-67. A stay may be the most efficient and fairest course when there are “independent proceedings which bear upon the case.” *Levy*, 593 F.2d at 863.

Plaintiff asserts that the competing interests focus on its right in having a judgment entered against Defendant CFG balanced against Defendant Jackson’s interest in having a fair

1 decision in the bankruptcy court.

2 1. Possibility of Damage Resulting from Stay

3 The first *Landis* factor considers the “possible damage which may result from the  
4 granting of a stay.” *CMAX*, 300 F.2d at 268. Plaintiff asserts that the damage caused by  
5 defendants in not paying for the produce that they received has been done, and to date, Plaintiff  
6 has been unsuccessful in recovering the monies owed to it. With respect to recovery, Plaintiff  
7 reports that in a recent deposition (in the Adversary Proceeding), Defendant Jackson testified that  
8 (1) he believed the affairs of Defendant CFG have been wound up; (2) Defendant CFG went out  
9 of business in 2023; and (3) he received the \$157,049.50, and failed to remit this money to  
10 Plaintiff. (Doc. 17 at 3; *see also* Ex. C to Doc. 17-1, Shawn Jackson Deposition 14:21-15:10;  
11 43:7-16, 45:1-13.) Plaintiff contends that as it is unlikely it will be successful in recovering from  
12 Defendant CFG, a short stay of this action will not cause Plaintiff additional damage. Given  
13 Plaintiff’s position that a short stay will not cause additional damage, the Court finds this factor  
14 weighs in favor of a stay.

15 2. Hardship or Inequity

16 The second *Landis* factor considers “the hardship or inequity which a party may suffer in  
17 being required to go forward.” *CMAX*, 300 F.2d at 268. Here, defendants have not appeared in  
18 this action to assert any hardship or inequity from proceeding in this action. Nonetheless, as the  
19 Court explained in its order seeking supplemental briefing (Doc. 16), if the Court were to grant  
20 the pending motion for default judgment, it may have an impact on Defendant Jackson’s alleged  
21 liability and the bankruptcy proceeding. Based on the above, the Court finds that moving  
22 forward with this action may cause Defendant Jackson to suffer potentially unnecessary hardship  
23 or inequity. In contrast, Plaintiff admits that because a judgment against Defendant CFG is  
24 unlikely collectible at this time, any hardship that Plaintiff would suffer from a stay is likely  
25 minimal. (Doc. 17 at 3.)

26 3. Orderly Course of Justice

27 The third *Landis* factor considers “the orderly course of justice measured in terms of the  
28 simplifying or complicating of issues, proof, and questions of law which could be expected to

1 result from a stay.” *CMA*, 300 F.2d at 268 (citing *Landis*, 299 U.S. at 254-55). A *Landis* stay is  
 2 inappropriate if another proceeding is “unlikely to decide, or to contribute to the decision of, the  
 3 factual and legal issues before the district court.” *Lockyer v. Migrant Corp.*, 398 F.3d 1098, 1113  
 4 (9th Cir. 2005). Plaintiff explains that the issues in the federal case and bankruptcy case are  
 5 overlapping. To the extent the bankruptcy action implicates factual or legal issues that may bear  
 6 upon the issues in this action, the Court finds that the orderly course of justice weighs in favor of  
 7 a stay.

#### 8 4. Judicial Economy and Indefiniteness of Stay

9 A *Landis* stay cannot be imposed only for judicial economy and cannot be indefinite and  
 10 result in undue delay. *Dependable Highway Exp., Inc.*, 498 F.3d at 1066-67. Here, a stay would  
 11 not be imposed for judicial economy, but rather is to ensure that this action does not result in  
 12 hardship or inequity in the bankruptcy proceeding against Defendant Jackson or impute any  
 13 liability to Defendant Jackson in that action. Further, the stay would not be indefinite. As  
 14 Plaintiff explains, the Adversary Proceeding before the bankruptcy court is presently at the trial  
 15 stage, the parties are submitting briefs, and the bankruptcy proceeding should be resolved within  
 16 3-6 months. (Doc. 17 at 4; Ex. B to Doc. 17-1.)

### 17 **CONCLUSION AND ORDER**

18 Based on the foregoing, it is HEREBY ORDERED as follows:

- 19 1. The proceedings in this action are STAYED in their entirety pending resolution of the  
 20 Bankruptcy/Adversary Proceeding currently pending in the United States Bankruptcy  
 21 Court for the Northern District of Texas, Dallas Division.
- 22 2. Plaintiff shall file a status report within ninety (90) days of the date of this Order, and  
 23 every ninety (90) days thereafter, to advise the Court of the status of the bankruptcy  
 24 proceedings.

25 IT IS SO ORDERED.

26 Dated: April 1, 2025

27 /s/ Barbara A. McAuliffe  
 28 UNITED STATES MAGISTRATE JUDGE